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NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20 SWF-02 AID-20

CEA-02 COME-00 EB-11 FRB-02 CIEP-02 STR-08 TRSE-00

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TAGS: PGOV, PFOR, EEC, UK

SUBJECT: APRIL 1-2 COUNCIL MEETING (FOREIGN MINISTERS) -
CALLAGHAN ON UK RENEGOTIATION

REFS: A) LONDON 4044

B) LONDON 4086

1. SUMMARY: BRITISH FOREIGN SECRETARY CALLAGHAN PRESENTED
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BRITAIN'S VIEWS ON THE RENEGOTIATION OF ITS EC ACCESSION TERMS TO THE COUNCIL ON APRIL 1. HIS REMARKS SET FORTH EXPLICITLY THE BRITISH GOALS -- CHANGES IN THE CAP, FINANCING THE EC BUDGET, AND THE COMMUNITY'S AID AND TRADE POLICIES; RETENTION BY THE UK PARLIAMENT OF POWER OVER REGIONAL, INDUSTRIAL AND FISCAL POLICIES; AND REJECTION OF SOME PRINCIPLES OF THE ECONOMIC AND MONETARY UNION. HE SAID THAT RENEGOTIATION WITH BRITAIN'S PARTNERS WOULD BE FOLLOWED BY REFERRAL OF THE SUBJECT TO THE BRITISH PEOPLE -- SEEKING APPROVAL IF RENEGOTIATION IS SUCCESSFUL AND EXPLAINING WHY THE TERMS ARE UNACCEPTABLE IF UNSECCESFUL. HE EXPRESSED CONCERN ABOUT THE DEGREE OF DISAGREEMENT BETWEEN THE COMMUNITY AND THE UNITED STATES AND SAID BRITAIN WAS READY TO WORK WITH ITS PARTNERS TO PRODUCE HEALTHY AND COOPERATIVE RELATIONSHIPS WITH THE US AND WITH OTHER PARTS OF THE WORLD. THE REACTION OF THE OTHER MINISTERS TO HIS STATEMENT WAS ONE OF DISAPPROVAL, WITH FRENCH FOREIGN MINISTER JOBERT THE SHARPEST. SPECIFIC PROPOSALS ON THE ISSUES ON WHICH IT SEEKS CHANGES WILL BE MADE BY THE UK IN FUTURE COUNCIL MEETINGS AND POINTS OF DISAGREEMENT WILL EMERGE THEN, BUT THE EC CLEARLY FACES DIFFICULTIES OVER THE BRITISH POSITION. END SUMMARY.

2. BRITISH FOREIGN SECRETARY CALLAGHAN PRESENTED THE BROAD OUTLINE OF BRITAIN'S REQUEST FOR RENEGOTIATION OF ITS TERMS OF ENTRY INTO THE EC TO THE COUNCIL ON APRIL 1. AS REPORTED IN REFTEL B, THE CALLAGHAN STATEMENT CONFORMED CLOSELY TO THE LABOR PARTY MANIFESTO ON THE EC, AND LISTED THE UK'S MAIN OBJECTIVES AS: (1) MAJOR CHANGES IN THE CAP; (2) NEW AND FAIRER METHODS OF FINANCING THE COMMUNITY BUDGET; (3) RETENTION BY PARLIAMENT OF THOSE POWERS OVER THE BRITISH ECONOMY NEEDED TO PURSUE EFFECTIVE REGIONAL, INDUSTRIAL AND FISCAL POLICIES; (4) REJECTION OF UNEMPLOYMENT FOR THE MAINTENANCE OF FIXED PARITIES; AND (5) ACCESS TO THE BRITISH MARKET FOR COMMONWEALTH AND DEVELOPING COUNTRIES THROUGH THE ADOPTION OF TRADE AND AID POLICIES.

3. CALLAGHAN SAID THAT IF RENEGOTIATION WERE SUCCESSFUL, THE BRITISH PEOPLE WOULD DECIDE THE ISSUE THROUGH A UNCLASSIFIED

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GENERAL ELECTION OR A CONSULTATIVE REFERENDUM. IF THE RENEGOTIATIONS DO NOT SUCCEED "WE SHALL NOT REGARD THE TREATY OBLIGATIONS AS BINDING UPON US," AND THE BRITISH PEOPLE WOULD BE GIVEN THE REASONS AND CONSULTED ON THE ADVISABILITY OF NEGOTIATING BRITISH WITHDRAWAL FROM THE EC.

4. THE UK, CALLAGHAN SAID, IS NOW REVIEWING "ROOT AND BRANCH" THE EFFECTS OF COMMUNITY POLICIES AND PLANS TO MAKE DETAILED PROPOSALS FOR CHANGES IN DUE COURSE.

5. CALLAGHAN THEN EXPLAINED WHY THE LABOR GOVERNMENT IS SEEKING CHANGES IN THE TERMS OF ACCESSION AND DISCUSSED AGAIN THE POINTS LISTED ABOVE. HE CHARACTERIZED ECONOMIC AND MONETARY UNION AS OVER-AMBITIOUS AND DANGEROUS, AND SAID PROPOSALS FOR EUROPEAN UNION BY 1980 ARE UNREALISTIC AND NEED CLARIFICATION. HE RAISED QUESTIONS ABOUT WHAT HE TERMED THE UNFAIR BURDEN OF THE CAPA AND CITED THE NEED TO IMPROVE ACCESS TO THE EC MARKET OF COMMONWEALTH AND LDC GOODS. THE STATEMENT ALSO SAID THAT THE EXISTING EC RULES INTERFERED WITH THE UK GOVERNMENT'S POWERS OVER THE BRITISH ECONOMY TO PURSUE EFFECTIVE REGIONAL, INDUSTRIAL, FISCAL AND COUNTER-INFLATIONARY POLICY. FINALLY, CALLAGHAN CRITICIZED SHARPLY THE ARRANGEMENT FOR BRITAIN'S CONTRIBUTION TO THE EC BUDGET WHICH, EVEN IN ITS FIRST YEAR OF MEMBERSHIP, RESULTED IN MAKING THE UK THE SECOND LARGEST NET CONTRIBUTOR.

6. CALLAGHAN INDICATED CLEARLY THAT THE UK APPROACH TOWARD RENEGOTIATION WOULD BE TO SEEK CHANGES IN THE EC'S POLICIES AND DECISIONS, AND IN THE MEANTIME TO PARTICIPATE IN THE WORK OF THE COMMUNITY, BUT HE RESERVED THE RIGHT TO PROPOSE CHANGES IN THE TREATIES IF ESSENTIAL INTERESTS COULD NOT OTHERWISE BE MET.

7. IN A FINAL REFERENCE TO THE POLITICS OF THE EC, CALLAGHAN INDICATED DEEP CONCERN ABOUT THE BROAD DIRECTION THE EC IS TAKING. HE SAID THAT THE UK WISHED TO REMAIN A MEMBER OF AN EFFECTIVE ATLANTIC ALLIANCE AND SAID THAT THE COMMUNITY, IN DEVISING ITS PROCEDURES

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AND COMMON POSITION, MUST ALWAYS TRY TO WORK WITH THE UNITED STATES.

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8. INITIAL BATTLE POSITIONS FOR THE RENEGOTIATIONS
BEGAN TO REVEAL THEMSELVES IN THE GENERAL STATEMENTS OF
THE OTHER EIGHT IN RESPONSE TO CALLAGHAN'S STATEMENT. IN
BROAD OUTLINE, THE REACTION WAS ONE OF DISAPPROVAL
(ESPECIALLY FROM THE FRENCH AND THE ITALIANS). THERE WAS
GENERAL AGREEMENT AMONG THE OTHER EIGHT, HOWEVER, THAT
THERE SHOULD BE NO CHANGES IN THE TREATIES. FRENCH
FOREIGN MINISTER JOBERT, IN A THOUGH STATEMENT, NOTED
POINTEDLY THAT THE APPLICANT STATES HAD HAD MANY MONTHS
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DURING THE NEGOTIATIONS FOR MEMBERSHIP TO MAKE THEIR
POINTS OF VIEW KNOWN AND THAT IT WAS NECESSARY FOR THE
NEW MEMBERS TO ADAPT TO COMMUNITY PROCEDURES RATHER THAN
THE OTHER WAY AROUND, HE ADDED THAT THE COMMUNITY HAD
PAID A "JUST PRICE" FOR BRITISH ENTRY AND HE DID NOT
SEE THE NECESSITY OF PAYING A SUPPLEMENTAL PRICE TO KEEP

BRITAIN A MEMBER. JOBERT CHARACTERIZED AS LARGELY UN-ACCEPTABLE THE BRITISH IDEA OF CONTINUING TO PARTICIPATE IN COMMUNITY ACTIVITIES WHILE RESERVING THE RIGHT TO REFUSE FURTHER STEPS TOWARD INTEGRATION THAT WOULD PRE-JUDGE THE RENEGOTIATION ISSUES.

9. OTHER COMMENTS WERE GENERALLY LESS CRITICAL, ALTHOUGH ITALIAN FOREIGN MINISTER MORO IS REPORTED TO HAVE DIS-AGREED ENTIRELY WITH THE CALLAGHAN STATEMENT EXCEPT FOR ITS REFERENCES TO IMPROVING RELATIONS WITH THE US. THE GERMANS (APEL) CALLED ON THE BRITISH TO RELEGATE NATIONAL INTEREST TO THE BACKGROUND. APEL REPORTEDLY SAID PRIVATELY THAT IF GERMANY HAD TO CHOOSE BETWEEN A PARALYZED COMMUNITY WITH THE UK OR AN ACTIVE COMMUNITY WITHOUT THE UK, IT WOULD HAVE TO CHOOSE THE LATTER.

10. THE BRITISH ARE EXPECTED TO REVEAL THE SPECIFICS OF THEIR REQUESTS AT ONE OF THE NEXT COUNCIL SESSION, POSSIBLY MAU 7.

11.COMMENT: THE BRITISH HAVE TAKEN THE FIRST STEP TOWARD RENEGOTIATION AND HAVE FOUND THE WATER CHILLY. THERE IS SOME UNDERSTANDING OF THE BRITISH DIFFICULTIES, ALTHOUGH THE OTHER EIGHT HAVE MADE IT CLEAR THAT THE TREATIES THEMSELVES ARE NOT UP FOR RENEGOTIATION. IF THE BRITISH WAGE A LOW-KEY AND DISCREET BATTLE, AVOIDING BOTH AN ATTACK ON THE TREATIES AND THE ACCUSATION OF STALEMATING ALL COMMUNITY ACTIVITY, THEY MAY EVENTUALLY ACHIEVE A LARGE PART OF WHAT THEY SEEK. THEY WILL PROBABLY FACE THEIR GREATEST DIFFICULTIES IN OBTAINING CHANGES IN THE BUDGET CONTRIBUTIONS WITHOUT REQUIRING CHANGES IN THE TREATIES.
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